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TAGS: [ECON](#) [EINV](#) [PGOV](#) [PINR](#) [EZ](#)  
SUBJECT: NEW CZECH DEPUTY PM FOR ECONOMIC AFFAIRS JIRI  
HAVEL IS NO MARTIN JAHN

REF: 05 PRAGUE 1586

Classified By: Acting Pol/Econ Counselor Karen Reider for reasons 1.4 b  
+d

¶1. (U) Czech Deputy Prime Minister for the Economy Martin Jahn left office as expected December 31. Jahn is expected to begin working for an unnamed private sector firm in February; he is rumored to be assuming a position on the managing board of Skoda Auto. Jahn's replacement is Jiri Havel, Chairman of the Czech Power Utilities (CEZ) supervisory council, member of the ruling Social Democratic Party's (CSSD) national economy commission, and former head of the National Property Fund (FNM). President Klaus approved Havel's appointment on January 3. Havel will have to give up his chairmanship of CEZ's supervisory board before taking up the position as Deputy PM.

¶2. (SBU) While analysts agree that Havel is academically well qualified for the job, his appointment is seen as based on his loyalty to CSSD and personal friendship with PM Paroubek. Analysts point out that Havel has less experience in the business sector than Jahn who, prior to his appointment, was head of CzechInvest. According to media reports, during his days as a student, Havel was a member of the Communist Party. In the early 1990's Havel unsuccessfully tried to establish a left-leaning party called Independent Left. Havel entered politics in 1998 as an adviser to then-finance minister Pavel Mertlik (CSSD), who in 1999 appointed Havel to FNM management. Havel is currently a member of the CSSD, but will not run for the Chamber of Deputies in the mid-2006 elections.

¶3. (U) BIOGRAPHIC DATA: Born August 20, 1957. Educated at Prague Economics University, Political Economy Faculty, 1982. June 2005 until present: Chairman of Czech Power Utilities (CEZ) supervisory board. April 2001 until present: Lecturer at the Institute of Economic Studies at Charles University Social Sciences Faculty. January 2003 until June 2005: member of the Unipetrol Board. March 2000 until April 2001: FNM Chairman. 1999 until March 2000: FNM executive committee member. He is the author or co-author of numerous specialist economic publications on capital markets and economic transformation.

¶4. (C) Comment: FDI inflows into the Czech Republic doubled in 2005, and many would say this was due in large part to Martin Jahn. Jahn was a favorite of the business community and a positive face for the CR abroad. But in fact, his legacy is mixed and his departure from government was no surprise. Jahn's greatest achievement was passage of the Commercial Registry reform, which had long been championed by the business community (with the AmCham in the lead) as a way to streamline business creation. He devoted countless hours to bankruptcy reform, which remains ontrack but unfinished. However, he and his hand-picked staff (nearly all of whom will leave government with him) developed extensive reform

measures to help the CR meet the EU's Lisbon criteria and generally complete the long-overdue economic structural reforms; none of this has been implemented. Given his limited political influence within the Paroubek government, his departure is not seen as a harbinger of any shift in economic policy. In fact, the shift has been underway for some time. In his final months in office, Jahn was powerless to stop the pre-election spending increases that forced the Central Bank President to issue a rare public protest late last month. The question is whether Havel, as a CSSD insider, will be even more accommodating of this economic loosening, or will perhaps be more successful in convincing Paroubek of the long-term dangers. Either way, like Jahn in recent months, Havel is expected to play a limited role in policy making.

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